

**WAUBONSIE MENTAL HEALTH CENTER**  
**INDEPENDENT AUDITOR'S REPORT**  
**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

# WAUBONSIE MENTAL HEALTH CENTER

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WAUBONSIE MENTAL HEALTH CENTER  
Officials  
June 30, 2011

| <u>Board of Directors:</u>                               | <u>Address</u> | <u>Term Expires</u> |
|--|----------------|---------------------|
| Kirk Requist, Chairperson                                | Stanton, Iowa  | 2011                |
| Elaine Armstrong, Vice-Chairperson                       | Clarinda, Iowa | 2011                |
| Dawn Hough, Secretary                                    | Clarinda, Iowa | 2012                |
| Bart Bartholomew, Treasurer<br>(Appointed January, 2011) | Tabor, Iowa    | 2011                |
| Thomas Clark   | Tabor, Iowa    | 2013                |
| Sharon Yahnke  | Sidney, Iowa   | 2012                |
| Marjorie Pugh  | Clarinda, Iowa | 2013                |
| Rex Galloway   | Villisca, Iowa | 2013                |
| Randy Tye<br>(Appointed January, 2011)                   | Elliott, Iowa  | 2011                |

Executive Director:

|                  |            |
|------------------|------------|
| Mary Anne Gibson | Coin, Iowa |
|------------------|------------|

# Gronewold, Bell, Kyhn & Co. P.C.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Waubonsie Mental Health Center  
Clarinda, Iowa

We have audited the accompanying balance sheets of Waubonsie Mental Health Center as of June 30, 2011 and 2010, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waubonsie Mental Health Center as of June 30, 2011 and 2010, and the results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 11, 2011 on our consideration of Waubonsie Mental Health Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information (shown on pages 12 through 14) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Gronewold, Bell, Kyhn & Co. P.C.*

Atlantic, Iowa  
October 11, 2011

WAUBONSIE MENTAL HEALTH CENTER  
Balance Sheets  
June 30,

ASSETS

|  | <u>2011</u>         | <u>2010</u>         |
|--|---------------------|---------------------|
| Current Assets:  |                     |                     |
| Cash   | \$ 317,931          | \$ 412,433          |
| Certificates of deposit  | 490,035             | 484,149             |
| Client receivables, less allowances for<br>doubtful accounts and contractual<br>adjustments (\$77,000 in 2011 and \$81,000<br>in 2010) | 93,862              | 95,076              |
| Other receivables  | 39,173              | 15,379              |
| Estimated third-party payor settlements  | 180,000             | 205,000             |
| Prepaid expense  | 608                 | 440                 |
| Total current assets   | <u>1,121,609</u>    | <u>1,212,477</u>    |
| Property and Equipment, Net  | <u>79,290</u>       | <u>76,508</u>       |
| Total assets   | <u>\$ 1,200,899</u> | <u>\$ 1,288,985</u> |

LIABILITIES AND NET ASSETS

|                                  |                     |                     |
|----------------------------------|---------------------|---------------------|
| Current Liabilities:             |                     |                     |
| Accounts payable                 | \$ 2,181            | \$ 1,374            |
| Accrued employee compensation    | 52,268              | 49,877              |
| Deferred grant revenue           | 4,950               | 26,550              |
| Total current liabilities        | <u>59,399</u>       | <u>77,801</u>       |
| Net Assets:                      |                     |                     |
| Unrestricted                     | <u>1,141,500</u>    | <u>1,211,184</u>    |
| Total liabilities and net assets | <u>\$ 1,200,899</u> | <u>\$ 1,288,985</u> |

The accompanying notes are an integral part of these statements.

WAUBONSIE MENTAL HEALTH CENTER  
Statements of Activities and Changes in Net Assets  
Year ended June 30,

|  | <u>2011</u>         | <u>2010</u>         |
|--|---------------------|---------------------|
| Support and Revenue:                           |                     |                     |
| Support:                                       |                     |                     |
| Support from participating counties            | \$ 62,599           | \$ 36,094           |
| Grants   | <u>120,183</u>      | <u>95,571</u>       |
| Total support                                  | 182,782             | 131,665             |
| Revenue:                                       |                     |                     |
| Client fees, net                               | 772,900             | 942,522             |
| Other revenue                                  | <u>25,665</u>       | <u>15,963</u>       |
| Total revenue                                  | <u>798,565</u>      | <u>958,485</u>      |
| Total Support and Revenue                      | 981,347             | 1,090,150           |
| Expenses:                                      |                     |                     |
| Operating expenses                             | 1,038,085           | 996,716             |
| Provision for depreciation                     | 20,491              | 21,358              |
| Provision for bad debts                        | <u>2,965</u>        | <u>4,199</u>        |
| Total expenses                                 | <u>1,061,541</u>    | <u>1,022,273</u>    |
| Operating Income (Loss)                        | ( 80,194)           | 67,877              |
| Other Support and Gains:                       |                     |                     |
| Interest income                                | 8,951               | 12,504              |
| Contributions                                  | 759                 | 2,530               |
| Gain on disposal of assets                     | <u>800</u>          | <u>--</u>           |
| Other support and gains                        | <u>10,510</u>       | <u>15,034</u>       |
| Increase (Decrease) in Unrestricted Net Assets | ( 69,684)           | 82,911              |
| Net Assets, Beginning of Year                  | <u>1,211,184</u>    | <u>1,128,273</u>    |
| Net Assets, End of Year                        | <u>\$ 1,141,500</u> | <u>\$ 1,211,184</u> |

The accompanying notes are an integral part of these statements.

WAUBONSIE MENTAL HEALTH CENTER  
Statements of Cash Flows  
Year ended June 30,

|   | <u>2011</u>       | <u>2010</u>       |
|---|-------------------|-------------------|
| Cash flows from operating activities:                                       |                   |                   |
| Cash received from clients, third party payors,<br>and contracting agencies | \$ 796,149        | \$ 985,196        |
| Cash paid to suppliers and employees  | ( 1,035,055)      | ( 993,009)        |
| County support received   | 62,599            | 36,094            |
| Grants received   | 74,789            | 158,905           |
| Interest income   | 8,951             | 12,504            |
| Contributions received  | 759               | 2,530             |
| Other operating revenue   | <u>25,665</u>     | <u>15,963</u>     |
| Net cash provided by (used in) operating<br>activities                      | ( 66,143)         | 218,183           |
| Cash flows from investing activities:                                       |                   |                   |
| Capital expenditures  | ( 23,273)         | ( 19,427)         |
| Additions to certificates of deposit  | ( 5,886)          | ( 10,268)         |
| Proceeds on sale of equipment   | <u>800</u>        | <u>--</u>         |
| Net cash used in investing activities                                       | <u>( 28,359)</u>  | <u>( 29,695)</u>  |
| Net increase (decrease) in cash   | ( 94,502)         | 188,488           |
| Cash beginning of year  | <u>412,433</u>    | <u>223,945</u>    |
| Cash end of year  | <u>\$ 317,931</u> | <u>\$ 412,433</u> |

(continued next page)

WAUBONSIE MENTAL HEALTH CENTER  
Statements of Cash Flows - Continued  
Year ended June 30,

|  | <u>2011</u>        | <u>2010</u>       |
|--|--------------------|-------------------|
| Reconciliation of change in net assets to net cash provided by (used in) operating activities:       |                    |                   |
| Change in net assets   | \$( 69,684)        | \$ 82,911         |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities |                    |                   |
| Provision for depreciation   | 20,491             | 21,358            |
| Provision for bad debts  | 2,965              | 4,199             |
| Gain on disposal of assets   | ( 800)             | --                |
| Change in assets and liabilities   |                    |                   |
| Accounts receivable  | ( 545)             | 86,543            |
| Prepaid expense  | ( 168)             | ( 29)             |
| Accounts payable, trade  | 807                | 417               |
| Accrued employee compensation  | 2,391              | 3,319             |
| Deferred grant revenue   | ( 21,600)          | 19,465            |
| Total adjustments  | <u>3,541</u>       | <u>135,272</u>    |
| Net cash provided by (used in) operating activities  | <u>\$( 66,143)</u> | <u>\$ 218,183</u> |

The accompanying notes are an integral part of these statements.

WAUBONSIE MENTAL HEALTH CENTER  
Notes to Financial Statements  
June 30, 2011 and 2010

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES

1. Nature of Activities

The Waubonsie Mental Health Center is an Iowa not-for-profit corporation operating under Chapter 230A of the Code of Iowa and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Center is established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. The Board includes a representative from the County Board of Supervisors of each of the three counties in the service area (Fremont, Montgomery and Page counties). Each of these members serve an annual term. The six remaining members of the Board of Directors serve three year terms and are selected by the existing Board.

2. Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recorded when the liability is incurred. Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Client Receivables

Client receivables are shown at the amount expected to be collected from clients and other third-party payors. The allowance for doubtful accounts is based on an aging of all the individual client balances. The allowance for contractual adjustments is based on the difference between the Center's normal fees and expected government program and insurance payments.

WAUBONSIE MENTAL HEALTH CENTER  
Notes to Financial Statements  
June 30, 2011 and 2010

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES - Continued

5. Unrestricted Revenues and Support

- a. Fees from clients are recorded at list price with adjustments based upon ability to pay and government program and insurance limitations deducted to arrive at net fees from clients. Medicaid services are reimbursed based on a cost reimbursement methodology. The Center is reimbursed for these services at a tentative rate with a final settlement determined after submission and review of an annual cost report. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The Center does not record charges and the related write-off of Supported Community Living Services that are deemed uncollectible. If these charges were recorded, the revenues and the related adjustments would be higher. The amount of unrecorded revenues and related adjustments cannot be determined.
- b. Fees from participating counties are based on the Center's annual budget and are allocated among the counties based on their relative usages and populations.
- c. Grant revenues are for specific programs provided by the Center and are recognized as income when grant requirements have been satisfied.

6. Property and Equipment

Property and equipment is stated at cost. The Center computes depreciation on equipment and vehicles using the straight-line method. Lives range from five to ten years for equipment and leasehold improvements and five years for vehicles.

7. Capital Leases

Leases which meet certain criteria are classified as capital leases, and assets and liabilities are recorded at amounts equal to the lesser of the present value of the minimum lease payments or the fair value of the leased properties at the beginning of the respective lease terms. Such assets are amortized evenly over the related lease terms or their economic lives with the amortization expense being included in the provision for depreciation. Interest expense relating to the lease liabilities is recorded to effect constant rates of interest over the terms of the leases.

8. Charity Care

The Center provides care to clients who meet certain criteria under its charity care policy at amounts less than its regular rates. Revenue from services to these clients is recorded as indicated in 5. above. These reductions are recorded as adjustments to fees from clients.

WAUBONSIE MENTAL HEALTH CENTER  
Notes to Financial Statements  
June 30, 2011 and 2010

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES - Continued

9. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

NOTE B - THIRD-PARTY PAYOR ARRANGEMENTS

A summary of the payment arrangements with major third-party payors follows:

Medicaid - Certain services are paid based on a cost reimbursement methodology. The Center is reimbursed for the cost of services at a tentative rate with final settlement determined after submission of annual cost reports by the Center and audits thereof by the fiscal intermediary. The Center's Medicaid cost reports have been audited and finalized by the fiscal intermediaries through June 30, 2009. However, finalized cost reports are subject to re-opening by the intermediary.

The Center also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Center under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

NOTE C - PROPERTY AND EQUIPMENT

The cost and related accumulated depreciation by major category at June 30 are as follows:

|   | <u>2011</u>      | <u>2010</u>      |
|---|------------------|------------------|
| Automobiles                                 | \$ 72,999        | \$ 71,781        |
| Office Equipment and Leasehold Improvements | <u>216,805</u>   | <u>213,495</u>   |
|   | 289,804          | 285,276          |
| Less Accumulated Depreciation               | <u>210,514</u>   | <u>208,768</u>   |
|   | <u>\$ 79,290</u> | <u>\$ 76,508</u> |

Rent expense for office space under cancelable operating leases totaled \$24,170 for the year ended June 30, 2011 (\$24,170 for June 30, 2010).

WAUBONSIE MENTAL HEALTH CENTER  
Notes to Financial Statements  
June 30, 2011 and 2010

NOTE D - FUNCTIONAL EXPENSES

Following is a summary of expenses classified by function:

|                        | <u>2011</u>         | <u>2010</u>         |
|------------------------|---------------------|---------------------|
| Client Services        | \$ 935,840          | \$ 902,536          |
| Management and General | <u>125,701</u>      | <u>119,737</u>      |
|                        | <u>\$ 1,061,541</u> | <u>\$ 1,022,273</u> |

NOTE E - RETIREMENT PLAN

The Center offers a 403(b) retirement plan in which the Center contributes five percent of an eligible individual's gross wages, limited to \$40,000, to the plan. All full-time staff with two months of employment and who are over eighteen years of age are included in the plan. Total contributions made by the Center for the year ended June 30, 2011 were \$23,687 (\$25,551 for 2010).

NOTE F - CONTINGENCIES

Risk Management

The Center is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Management believes that the malpractice insurance coverage is adequate to cover all asserted and any unasserted claims, therefore no related liability has been accrued. Waubonsie Mental Health Center is exposed to various other common business risks for which it is covered by commercial insurance. Settled claims from these risks have not exceeded insurance coverage for the past three years.

Economic Dependency

The Center received approximately 28 percent of its total support and revenue from Fremont, Montgomery and Page counties in 2011 (30 percent in 2010).

Subsequent Events

The Center has evaluated all subsequent events through October 11, 2011, the date the financial statements were available to be issued.

WAUBONSIE MENTAL HEALTH CENTER  
Notes to Financial Statements  
June 30, 2011 and 2010

NOTE G - CONCENTRATION OF CREDIT RISK

The Center grants credit without collateral to its clients, most of whom are area residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2011 and 2010, was as follows:

|                                       | <u>2011</u> | <u>2010</u> |
|---------------------------------------|-------------|-------------|
| Medicaid                              | 19%         | 18%         |
| Other third-party payors and patients | <u>81</u>   | <u>82</u>   |
|                                       | <u>100%</u> | <u>100%</u> |

\* \* \*

## SUPPLEMENTARY INFORMATION

WAUBONSIE MENTAL HEALTH CENTER  
Revenues and Support  
Year ended June 30,

| <u>Client Fees</u>                             | <u>2011</u>       | <u>2010</u>       |
|--|-------------------|-------------------|
| Self Pay and 3rd Party Insurance               | \$ 370,136        | \$ 321,874        |
| Title XIX                                      | 742,313           | 765,277           |
| Counties                                       | <u>216,443</u>    | <u>285,508</u>    |
| Gross Client Fees                              | 1,328,892         | 1,372,659         |
| Less Contractual Adjustments                   | <u>555,992</u>    | <u>430,137</u>    |
| Net Client Fees                                | <u>\$ 772,900</u> | <u>\$ 942,522</u> |
| <br><u>Support from Participating Counties</u> |                   |                   |
| Fremont  | \$ 9,000          | \$ 4,500          |
| Montgomery                                     | 28,775            | 28,775            |
| Page   | <u>24,824</u>     | <u>2,819</u>      |
|  | <u>\$ 62,599</u>  | <u>\$ 36,094</u>  |

See Independent Auditor's Report.

WAUBONSIE MENTAL HEALTH CENTER  
Operating Expenses  
Year ended June 30,

|   | <u>2011</u>    | <u>2010</u>    |
|---|----------------|----------------|
| General Operating Expenses:                       |                |                |
| Administrative salaries                           | \$ 24,360      | \$ 22,182      |
| Therapists salaries                               | 349,931        | 367,277        |
| Clerical salaries                                 | 123,900        | 117,821        |
| Psychiatric consultation                          | 69,960         | 71,202         |
| Employee benefits                                 | 105,089        | 101,168        |
| Payroll tax expense                               | 45,308         | 43,778         |
| Audit, accounting, and legal fees                 | 13,259         | 11,754         |
| Other professional fees                           | 13,498         | 13,374         |
| Office supplies                                   | 13,354         | 8,959          |
| CSP program expenses                              | 3,234          | 2,788          |
| Telephone   | 8,390          | 8,022          |
| Emergency communication                           | 3,494          | 3,324          |
| Postage and shipping                              | 5,603          | 6,289          |
| Rent expense                                      | 24,170         | 24,170         |
| Building repairs and maintenance                  | 3,528          | 3,529          |
| Insurance expense                                 | 14,974         | 15,300         |
| Utilities   | 4,300          | 4,236          |
| Travel expense                                    | 19,799         | 18,104         |
| Agency vehicle expense                            | 12,227         | 6,923          |
| Staff development and training                    | 3,676          | 3,462          |
| Subscriptions                                     | 371            | 62             |
| Organization dues                                 | 2,808          | 2,537          |
| Equipment repairs and maintenance                 | 1,784          | 1,246          |
| Advertising                                       | 4,158          | 3,584          |
| Medication expense                                | 320            | 1,486          |
| Miscellaneous                                     | 1,784          | 6,519          |
|   | <u>873,279</u> | <u>869,096</u> |
| Community Mental Health Services Grant Expenses - |                |                |
| Adults:   |                |                |
| Salaries  | 23,166         | 13,076         |
| Employee benefits                                 | 2,274          | 1,003          |
| Travel expense                                    | 554            | 1,468          |
| Other expense                                     | 3,081          | 795            |
|   | <u>29,075</u>  | <u>16,342</u>  |
| Community Mental Health Services Grant Expenses - |                |                |
| Children & Adolescents:                           |                |                |
| Salaries  | 16,814         | 12,757         |
| Employee benefits                                 | 1,998          | 977            |
| Travel expense                                    | 819            | 1,173          |
| Other expense                                     | 921            | 1,437          |
|   | <u>20,552</u>  | <u>16,344</u>  |

(continued next page)

WAUBONSIE MENTAL HEALTH CENTER  
Operating Expenses - Continued  
Year ended June 30,

|   | <u>2011</u>         | <u>2010</u>       |
|---|---------------------|-------------------|
| Recovery Project Grant:                 |                     |                   |
| Salaries                                | \$ --               | \$ 39,764         |
| Employee benefits                       | --                  | 3,777             |
| Travel expense                          | --                  | 4,998             |
| Other expense                           | --                  | 1,241             |
|   | <u>--</u>           | <u>49,780</u>     |
| Peer Support Services Program Expenses: |                     |                   |
| Salaries                                | 15,697              | 12,760            |
| Employee benefits                       | 2,180               | 992               |
| Travel expense                          | 716                 | 868               |
| Other expense                           | 16,128              | 12,774            |
|   | <u>34,721</u>       | <u>27,394</u>     |
| Crisis Aversion Project:                |                     |                   |
| Salaries                                | 39,642              | 1,650             |
| Employee benefits                       | 2,061               | --                |
| Other expense                           | 9,192               | 1,803             |
|   | <u>50,895</u>       | <u>3,453</u>      |
| Supported Employment Grant:             |                     |                   |
| Salaries                                | 3,941               | 1,220             |
| Employee benefits                       | 1,039               | 380               |
| Other expense                           | 2,488               | 929               |
|   | <u>7,468</u>        | <u>2,529</u>      |
| Trauma Informed Care Grant:             |                     |                   |
| Salaries                                | 5,787               | 500               |
| Employee benefits                       | 1,120               | --                |
| Other expense                           | 3,485               | --                |
|   | <u>10,392</u>       | <u>500</u>        |
| Transitional Living Program Expenses:   |                     |                   |
| Housing                                 | 8,720               | 8,520             |
| Other expense                           | 2,983               | 2,758             |
|   | <u>11,703</u>       | <u>11,278</u>     |
|   | <u>\$ 1,038,085</u> | <u>\$ 996,716</u> |

See Independent Auditor's Report.

## COMMENTS AND RECOMMENDATIONS

# Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Directors  
Waubonsie Mental Health Center  
Clarinda, Iowa

We have audited the financial statements of Waubonsie Mental Health Center as of and for the year ended June 30, 2011, and have issued our report thereon dated October 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Waubonsie Mental Health Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Waubonsie Mental Health Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Center's financial statements will not be prevented or detected and corrected on a timely basis.

To the Board of Directors  
Waubonsie Mental Health Center

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item 11-I-A to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waubonsie Mental Health Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Waubonsie Mental Health Center's response to the finding identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusion on the Center's response, we did not audit the Center's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Waubonsie Mental Health Center and other parties to whom the Center may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Gumewalt, Ben, Kuhn & W. P. C.

Atlantic, Iowa  
October 11, 2011

WAUBONSIE MENTAL HEALTH CENTER  
Schedule of Findings  
Year ended June 30, 2011

PART I - SIGNIFICANT DEFICIENCIES

11-I-A Segregation of Duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Center. This deficiency is common among most small organizations.

Recommendation: We recognize that it may not be economically feasible for the Center to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Center to employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

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